TEACHERS' PENSION PLAN ONTARIO

Pension News

INFORMATION FOR RETIRED TEACHERS AND THEIR SURVIVORS FALL 2007

Annual pension increase pegged at 1.8 per cent

Your monthly pension will grow 1.8 per cent, beginning in January.

The inflation increase translates into an extra $648 a year in pre-tax income, or $54 a month, for a typical member collecting a $36,000 annual pension.

The increase is based on changes in the Consumer Price Index (CPI), a weighted basket of goods and services purchased by a typical Canadian family each month.

Annual pension	Increase in 2008
$15,000	$ 270
$20,000	$ 360
$25,000	$ 450
$30,000	$ 540
$35,000	$ 630
$40,000	$ 720
$45,000	$ 810
$50,000	$ 900
$55,000	$ 990

Pensioners who left teaching this year will receive an increase equal to the number of months after they stopped working in 2007. For example, if you retired in June you will collect half of the increase, or 0.9 per cent more, in 2008.

You can see how the increase affects your pension on *i*Access Web, the secure members-only section of our website, at www.otpp.com. The amount will be posted online by Jan. 22. If you aren't yet registered for *i*Access Web, or if you have chosen to receive personal pension information by mail, watch for a printed statement in early February that details your new monthly pension. In the meantime, consult the chart to see how the adjustment will affect pensioners at different income levels.

For more information, please read *Fully indexed plans provide same increases over time* on page 5.

An inflation-protected pension can ease financial worries in retirement.

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Holiday hours

Client Services will be closed Dec. 25, 26 and Jan. 1

Lamoureux retiring, Leech takes reins in December

Jim Leech, former Senior Vice-President, Teachers' Private Capital, becomes CEO of the Ontario Teachers' Pension Plan when inaugural leader Claude Lamoureux retires Dec. 1.

Mr. Leech joined the pension plan in 2001. Under his leadership, Teachers' Private Capital became one of the world's leading private equity investors, acquiring major interests in such household names as Yellow Pages, Samsonite, Serta mattresses and CTVglobemedia. Last summer, his private equity team led the winning bid for BCE. The transaction will become the largest leveraged buyout in corporate history if approved by regulators next year.

Erol Uzumeri, former Vice-President of Private Capital International, assumed responsibility for private capital investments Oct. 1.

Mr. Leech is former President and CEO of Unicorp Canada Corp., one of Canada's first merchant banks, and Union Energy Inc., then one of the largest integrated energy and pipeline companies in North America.

After graduating with a B.Sc. (Honours Math and Physics) from the Royal Military College of Canada, Mr. Leech served as a communications officer in Germany with the Royal 22nd Regiment (the legendary Van Doos, now in Afghanistan). He later earned an MBA from Queen's University and graduated from the Institute of Corporate Directors.

"I'm honoured to be inheriting a thriving and successful organization. I plan to build on our culture of innovation so members can continue to enjoy pension security and top-notch service," Mr. Leech said.

He said building the private capital team into a world-renowned group is his greatest professional achievement to date.

Eileen Mercier, Chair of the Ontario Teachers' Pension Plan Board, said the board unanimously selected Mr. Leech for his CEO experience, understanding of the pension plan's operation and culture, and "exemplary credentials in business leadership in private and capital markets."

Private capital executive Jim Leech becomes CEO of your pension plan when veteran leader Claude Lamoureux retires Dec. 1

Retiring CEO Claude Lamoureux said he will leave the organization in capable hands.

"I am 100 per cent supportive of Jim's appointment. Your pension plan is in good hands with Jim at the helm of a solid executive team." ■

The man behind the job

Family: Married, 3 children, 2 grandchildren (3rd on the way)

Proudest personal accomplishment: Leading the rescue of the Canadian Stage Company

Most memorable vacation: Working in Ugandan refugee camp

Person you most admire(d): My father

Favourite past-time: Hanging with family at our cottage

Favourite book: *Shake Hands with the Devil* – Romeo Dallaire

Lamoureux pioneered pension management style

Claude Lamoureux will ride the subway home from his North York office for the last time on Nov. 30.

The 65-year-old leader of the Teachers' pension plan leaves the organization he built into one of the world's best pension plans in the same unassuming manner that marked his 17 years as CEO.

"Life is not about promotion and glory. It is about doing work well even when no one sees it, it is about taking responsibility without being asked. ..." he advised a group of investors at a luncheon in June.

Eileen Mercier, Chair of the Ontario Teachers' Pension Plan Board, described Mr. Lamoureux as a "visionary and pioneer."

"He leaves in place a legacy of member service and investment wisdom that is emulated by other pension plans and funds around the world."

A passionate champion of customer service, Mr. Lamoureux credits his parents – his mother was a teacher – and early life experiences for the values and work ethic that characterized his pioneering approach to pension administration and investment management.

"At work, I've always tried to instill what I learned first from my father: the customer always comes first. Make the customer your focus and you know you will always be on track.

"At Teachers', we were never satisfied that we had done as much as we could. We constantly pushed the envelope and tried to improve further," Mr. Lamoureux said.

An outspoken advocate of shareholder rights, Mr. Lamoureux co-founded the Canadian Coalition for Good Governance, mobilizing institutional investors in their first organized and successful efforts to pursue better governance practices.

He used diplomacy to tackle issues that deprived shareholders – as the owners of companies – of their fair returns. When that didn't work, he cranked up public pressure.

"If you want to make a million, don't rob a bank. Just put on a shirt and tie and play with the numbers. Securities laws are still so lax in Canada, white-collar crime often pays," he once said.

Mr. Lamoureux became the first CEO of the pension plan when the government created an independent corporation in 1990 to replace the Ontario Teachers' Superannuation Fund. Under his leadership, pension assets increased to $106 billion from $19 billion, while client services improved to a top ranking in the world.

An actuary by profession, Mr. Lamoureux joined the Teachers' pension plan from Metropolitan Life, where he had a successful career in their Ottawa and New York offices. He is well known for his unflagging efforts to protect the security of teachers' pensions and ensure inter-generational balance among plan members.

Mr. Lamoureux said he will miss the excitement and diversity of operations, but is looking forward to retirement. "I'll travel, I'll stay involved in corporate governance, and I may even go on some interviews for part-time jobs. The best part about retirement, as our pensioners already know, is the luxury of only doing what I want to do."

For Mr. Lamoureux, that's just about everything.

Q *Why is our pension plan buying infrastructure in other countries?*

A We invest in airports, water services, gas services, toll roads, port facilities, pipelines, power plants and other infrastructure assets around the world to generate stable, long-term returns at a low level of risk. We look for investments in regulated industries in countries with stable political and mature regulatory environments.

Infrastructure assets have a long life, withstand economic downturns, and provide steady income, similar to long-term bonds. Because their returns are linked to inflation, they are ideal assets to pay indexed pensions.

As a long-term investor, we are not looking for large short-term gains from our infrastructure assets and expect to hold many investments for 25 years or more.

Q *Is my future pension at risk because of the turmoil in debt markets?*

A No, the pension fund is well diversified to withstand short-term market turmoil over the long term. Our investment in a form of short-term debt called asset-backed commercial paper is not material, although we have felt its overall market impact.

Q *Is my personal information shared with others?*

A No, we protect your privacy when we collect, use and dispose of personal information. If you want us to supply your personal information to anyone, including your spouse, we require your written authorization.

Q *How much will my pension decrease when I turn 65 next year?*

A Your Teachers' pension is reduced at age 65 to reflect its integration with the Canada Pension Plan (CPP). You can find the percentage reduction in your pension at *i*Access Web, the secure members-only section of our website at www.otpp.com. Generally, a teacher who retired with 25 years of credit can expect an annual reduction of about $5,000, measured in today's dollars. This reduction occurs at age 65 even if you collect a CPP retirement pension before age 65.

(Survivor pensions are reduced immediately, as are pensions paid to members who begin receiving a CPP disability pension. Contact us if you begin a CPP disability pension.)

To register for *i*Access Web, call 416-226-2700 or 1-800-668-0105. ■

Government lowers taxes

You may be able to keep a little more of your pension as a result of federal government changes to personal income tax rates and exemptions.

The government has:

- Reduced the lowest (marginal) tax rate to 15 per cent of income from 15.5 per cent, retroactive to Jan. 1, 2007.
- Increased both the basic personal exemption and the spousal exemption to $9,600 from $8,929, retroactive to Jan. 1, 2007. The exemption will rise again in 2009 to $10,100. The basic personal exemption is the amount of income you can collect before paying tax.

We will automatically apply the tax changes to your Teachers' pension, beginning in January. You can apply changes for 2007 when you file your annual tax return early next year. ■

Couples can split pension income to lower tax bill

Canadian residents will be able to allocate up to one-half of their pension income to their spouse for tax purposes, beginning with 2007 income tax returns.

Income eligible for tax splitting includes:

- a pension from a registered pension plan, such as the Teachers' plan; and
- RRSP annuity payments, as well as annuity and registered retirement income fund (including life income fund) payments if received as a result of the death of a spouse, or if the pensioner is age 65 or older at the end of the year.

Couples can split their pension income on their annual tax returns.

Pension income splitting may result in tax savings if your spouse's income is lower than yours. It could also allow some high income earners to keep more of their OAS payments, which the government claws back beginning with after-tax income of about $63,500.

The government will not allow pension plans, such as the Teachers' plan, to deduct less tax during the year from pensioners who intend to split their income. Pension income splitting can happen only once a year when couples file their tax returns. Consult the 2007 income tax guide for details on how to split your pension income. The guide and related tax forms will be available from the Canada Revenue Agency (CRA) in January at www.cra.gc.ca or 1-800-959-2221. For more information on income splitting, consult a tax advisor, CRA's website or a CRA representative at 1-800-959-8281.

Fully indexed plans provide same increases over time

You may be wondering why your annual cost-of-living increase does not match the inflation rate reported by the media.

The media compares the Consumer Price Index (CPI) for the current month to the same month a year earlier. In contrast, we arrive at your pension increase by comparing the average CPI for 12 months ending in September to the 12-month average a year earlier. This is the method the pension plan has used to calculate annual cost-of-living increases since it introduced inflation protection in 1976.

The monthly rate reported by the media is more volatile because an event, such as a hurricane, that significantly affects prices in either of the two months being compared could cause a temporary spike or drop in the inflation rate.

Some pension plans calculate annual inflation increases using methods or time periods that are different from ours. This results in higher increases in some years and lower increases in other years. Despite the differences, all fully indexed pension plans generate roughly the same inflation increases over time.

For more information:

- View an audio-visual presentation on inflation on *i*Access Web, the secure members-only section of our website at www.otpp.com. (If you aren't yet registered for this service, call 416-226-2700 or 1-800-668-0105.)
- Read the Inflation Protection fact sheet in the publications section of our website at www.otpp.com.

How to count a day when working after retirement

Pensioners are responsible for tracking the days they work in education to meet the pension plan's re-employment limits.

But figuring out what constitutes a day isn't always easy. Here's a checklist to help you stay within the limits.

Under the limits, you can work in education for:

- up to 95 days in each of the first three school years in which you return to work (these don't need to be consecutive years); and
- 20 days each school year after that.

Days worked during a window that allowed for extended work in education – from Sept. 1, 2001, to Aug. 31, 2006 – do not count toward the first three years.

What counts as a working day

- All paid non-working days, such as professional development days, sick days and snow days. Statutory holidays also count if you are re-employed as a 12-month employee.
- Days you spend marking papers or working without pay. You cannot volunteer to work for free to circumvent the limits.
- If you are a contract employee, days count in direct proportion to your contract percentage. For example, if you are on a 50 per cent contract and work half days, you will accumulate one-half day for each day you work.
- If you are paid by the hour, ask your employer how it reports a normal working day for someone in your position. We recognize a day to be anywhere from 5.5 to nine hours of work.
- If you are hired for a specific task, ask your employer how it reports a normal working day for someone in your position. With that information, you will be able to accurately count the days you work.

For more information on the limits, visit our website at www.otpp.com or call us at 416-226-2700 or 1-800-668-0105. ■

Pensioners are subject to limits on how much they can work in education without affecting their pensions.

Limits apply to third-party contracts

Pensioners who teach under a third-party or personal services contract are bound by the pension plan's re-employment limits. If you are hired under such a contract, please ensure you count these work days toward your limits. Teaching includes work as a tutor, vice-principal, principal, and other supervisory officer positions.

Test your pension knowledge with our five-minute quiz

1. At the end of last year, our largest single investment was in:

a. ☐ Maple Leaf Sports & Entertainment
b. ☐ Government of Canada bonds
c. ☐ Nexen Inc.
d. ☐ Royal Bank of Canada

2. Since 1990, our investment team has outperformed the markets in which it invests by:

a. ☐ $22.1 million
b. ☐ $750 million
c. ☐ $4.5 billion
d. ☐ $22.7 billion

3. Our real estate portfolio is managed by:

a. ☐ The Cadillac Fairview Corp.
b. ☐ our in-house real estate division
c. ☐ Coldwell Banker Canada
d. ☐ all of the above

4. Our investment team has beaten its composite benchmark for the past:

a. ☐ two years
b. ☐ five years
c. ☐ seven years
d. ☐ twelve years

5. Our pensioner population now totals:

a. ☐ 100,000
b. ☐ 104,000
c. ☐ 108,000
d. ☐ 112,000

6. The following asset provides stable returns, correlated to inflation:

a. ☐ real estate
b. ☐ corporate bonds
c. ☐ stocks
d. ☐ treasury bills

7. For every dollar we collected in contributions in 2006, we paid:

a. ☐ 50 cents in benefits
b. ☐ $1 in benefits
c. ☐ $1.45 in benefits
d. ☐ $2.30 in benefits

8. If there is a shortfall in plan assets, pensioners will:

a. ☐ pay a special one-time premium
b. ☐ see a reduction in their monthly pension
c. ☐ experience no change in their pension
d. ☐ both "a" and "b" above

1. b 2. d 3. a 4. c 5. b 6. a 7. d 8. c 9. c 10. b

9. Our annual pension payroll has climbed to approximately:

a. ☐ $2 billion
b. ☐ $3 billion
c. ☐ $4 billion
d. ☐ $5 billion

10. A Teachers' pension can be paid in one of:

a. ☐ 47 currencies
b. ☐ 33 currencies
c. ☐ 25 currencies
d. ☐ 11 currencies

Submit question for chance to win

Help us write our next pension-related quiz. Submit a question by Dec. 17 and you will be entered into a draw for a $100 Chapters/Indigo gift certificate. Send submissions to:

E-mail: communications@otpp.com
Fax: 416-730-6338
Mail: Communications, 5650 Yonge St., Toronto, ON, M2M 4H5 ■

Non-resident pensioners are taxed differently

The tax we deduct from your pension is based on your principal country of residence.

The government considers you to be a non-resident if you leave Canada to settle in another country and you sever your residential ties. Severing residential ties may include giving up a home in Canada and establishing a permanent home abroad, moving to another country with your spouse and other dependants, breaking local ties, and not maintaining a Canadian driver's licence, bank account or credit cards.

If you become a permanent non-resident of Canada, let us know in a signed letter.

For more information, contact the Canada Revenue Agency international tax service at 1-800-267-5177 (toll free from Canada or the U.S.) or 613-952-3741 (call collect from other countries). ■

Pension pay dates

Your pension is deposited in your bank account on the last business day of every month. If you change accounts, notify us early in the month of the change and keep your old account open until your pension has been deposited in your new account.

Month	Deposit
November	Fri., Nov. 30
December	Mon., Dec. 31
January	Thurs., Jan. 31
February	Fri., Feb. 29
March	Mon., March 31
April	Wed., April 30
May	Fri., May 30
June	Mon., June 30
July	Thurs., July 31
August	Fri., Aug. 29
September	Tues., Sept. 30
October	Fri., Oct. 31
November	Fri., Nov. 28
December	Wed., Dec. 31

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This newsletter does not create any right to benefits. Your entitlements and those of your survivors are and will be governed by the language of the pension plan text. The information contained in this newsletter is not intended to be relied upon in relation to any particular circumstance.
Ce bulletin est disponible également en français.
ISSN 1180-3282

Update personal information; win chance for computer

Update your address or other personal information online by the end of the year for a chance to win a desktop computer.

A draw takes place in early January for a Dell Pentium 4 Desktop PC with 17" flat-screen monitor.

A current address is required to deliver important information, such as your annual T4A.

Select communications preferences

Later this year, you will be able to select how you want the pension plan to communicate with you. A new service is being launched to allow members to choose language and format preferences for verbal and written communications.

For example, you will be able to choose to receive notices, via e-mail or mail, of any change in your pension resulting from such things as government tax changes.

To update personal information and select communications preferences, visit *i*Access Web, the secure members-only section of our website at www.otpp.com.

If you aren't registered for this free member service:

- Call 416-226-2700 or 1-800-668-0105, weekdays from 8 a.m. to 5:30 p.m.; or
- Download and complete the registration form at www.otpp.com. ■

Return undeliverable Canadian addresses to:
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PM# 40062973